

## 2018 Current Fiscal Year Report: Royalty Policy Committee

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### 1. Department or Agency

Department of the Interior

### 2. Fiscal Year

2018

### 3. Committee or Subcommittee

Royalty Policy Committee

### 3b. GSA Committee No.

21405

### 4. Is this New During Fiscal Year?

No

### 5. Current Charter

04/21/2017

### 6. Expected Renewal Date

04/21/2019

### 7. Expected Term Date

### 8a. Was Terminated During Fiscal Year?

No

### 8b. Specific Termination Authority

Agency

### 8c. Actual Term Date

### 9. Agency Recommendation for Next Fiscal Year

Continue

### 10a. Legislation Req to Terminate?

No

### 10b. Legislation Pending?

Not Applicable

### 11. Establishment Authority

Agency Authority

### 12. Specific Establishment Authority

Agency

### 13. Effective Date

05/06/2004

### 14. Committee Type

Continuing

### 14c. Presidential?

No

### 15. Description of Committee

National Policy Issue Advisory Board

### 16a. Total Number of Reports

No Reports for this Fiscal Year

### 17a. Open Meetings 4 17b. Closed Meetings 0 17c. Partially Closed Meetings 0 17d. Total Meetings 4

### Meetings and Dates

Purpose	Start	End
First meeting of the RPC the meeting purpose was the following: o Provide Committee members with an Ethics Overview o Overview of the DOI Data Portal o Overview of the Life of a Lease o Overview of Royalties as an Economic Concept o Agree on first year priority issues and establish goals o Begin Discussions on Valuation Reform o Form subcommittees to begin work o Adopt a timeline for future meetings and actions to be taken in order to achieve Committee goals	10/04/2017	10/04/2017
Report out and recommendations from Tribal Affairs Subcommittee Report out and recommendations from Fair Return and Value Subcommittee Report out and recommendations from Planning, Analysis, and Competitiveness Subcommittee Receive public comments Full committee discussion and votes on subcommittee recommendations Timeline review	02/28/2018	02/28/2018
Report out from Fair Return and Value Subcommittee Receive public comments Report out and recommendations from Planning, Analysis, and Competitiveness Subcommittee Report out and recommendations from Tribal Energy Subcommittee Timeline review	06/06/2018	06/06/2018
-Report out from Fair Return and Value Subcommittee -Receive public comments -Report out and recommendations from Planning, Analysis, and Competitiveness Subcommittee - Report out and recommendations from Tribal Energy Subcommittee - Timeline review	09/13/2018	09/13/2018

### Number of Committee Meetings Listed: 4

	Current FY	Next FY
18a(1). Personnel Pmts to Non-Federal Members	\$0.00	\$0.00

<b>18a(2). Personnel Pmts to Federal Members</b>	\$16,425.02	\$17,246.27
<b>18a(3). Personnel Pmts to Federal Staff</b>	\$126,481.47	\$132,805.54
<b>18a(4). Personnel Pmts to Non-Member Consultants</b>	\$95,812.89	\$100,603.53
<b>18b(1). Travel and Per Diem to Non-Federal Members</b>	\$33,523.32	\$35,199.49
<b>18b(2). Travel and Per Diem to Federal Members</b>	\$1,583.68	\$1,662.86
<b>18b(3). Travel and Per Diem to Federal Staff</b>	\$6,152.51	\$6,460.14
<b>18b(4). Travel and Per Diem to Non-member Consultants</b>	\$3,384.83	\$3,554.07
<b>18c. Other(rents,user charges, graphics, printing, mail, etc.)</b>	\$16,863.17	\$17,706.33
<b>18d. Total</b>	\$300,226.89	\$315,238.23
<b>19. Federal Staff Support Years (FTE)</b>	2.04	2.10

**20a. How does the Committee accomplish its purpose?**

The Committee will provide advice to the Secretary of the Interior related to the Secretary's responsibilities under the laws governing the Department of the Interior's management of Federal and Indian mineral leases and revenues. The Committee will review and comment on revenue terms and other mineral-related and energy policies, and provide a forum to convey views representative of Tribes, States, government agencies, industry, Academia, and the interested public. Subcommittees will be formed that focus on specific royalty issues. The sub-committees will provide advice to the full Committee.

**20b. How does the Committee balance its membership?**

Members of the committee were appointed by the Secretary for their ability to represent specific constituencies who have an interest in management of Federal and Indian mineral leases and revenues. The Secretary appointed 28 members to ensure representation of the interests of States, American Indians, mineral and other energy industries, Academia, and the public at large.

**20c. How frequent and relevant are the Committee Meetings?**

The Committee will meet at least twice per year. In FY2018 the committee met four times.

**20d. Why can't the advice or information this committee provides be obtained elsewhere?**

The issues that the committee will address are highly technical and complex. Other means of receiving public input, such as public hearings would not provide the thoughtful, consensus-based input that is sought from this Committee.

**20e. Why is it necessary to close and/or partially closed committee meetings?**

N/A

## 21. Remarks

There were four meetings held in FY2018, in those meetings there were 29 recommendations. The following is a summary of those recommendations: 1. Create “evergreen” Payor Handbook which can be updated regularly and link to recent rules and decisions. 2. Pursue rulemaking to define simplified index price rules for Federal gas. 3. Exclusively with regard to federal lands, Department of the Interior resolve an ambiguity in its current regulations by publishing a proposed rule to amend the Royalty Policy Committee – February 2018 Meeting 3 regulation at 30 C.F.R. 1202.151(b) to reexamine language specific to the boosting of residue gas. 4. Reinforce the principle that arm’s length transactions are the best indication of market value by amending the regulation at 30 CFR 1206.257(c)(2)(i) to read: “The gross proceeds accruing to the lessee pursuant to a sale under its nonarm’s-length contract (or other disposition by other than an arm’s-length contract), provided that those gross proceeds are the equivalent to the gross proceeds derived from, or paid under comparable arms-length contracts for sale, purchases, or other dispositions of like-quality coal in the area.” 5. Consider a Secretarial Order / Dear Payor Letter indicating that a company’s own arm’s length sales are preferential under coal benchmark 4. 6. Updated Solids Handbook indicating the same. 7. Reduce timelines for project approval, including APDs, ROWs, sundries, lease nominations and unit agreements. 8. Limit the federal nexus of wells without a majority federal interest. 9. Improve land use planning and NEPA approvals. 10. Revise and simplify Onshore Orders, 3, 4 and 5 to ensure more equitable and timely implementation 11. Set future OCS lease sales through 2024 at 12.5% royalty rate 12. Revise, clarify and simplify process for granting varying royalty rate for declining or particularly costly fields 13. Increase offshore acreage available for oil and natural gas leasing 14. The Department of the Interior should contract for a study to compare the U.S GOM, Guyana and Mexico of royalty rates, total revenue, block sizes and recent lease sales (last 3 years). 15. The Department of the Interior should contract to update the IHS-CERA 2011 study, for both onshore and offshore data. 16. Interior should conduct a lease sale in the 1002 area of the Arctic National Wildlife Refuge (ANWR) ahead of statutory deadlines. 17. The Secretary should issue guidance that clarifies what items are not inherently federal functions and therefore, appropriate for tribes to manage in a Tribal Energy Resource Agreement (TERA) 18. A Secretarial Order should be issued to plan a wind leasing program to bring at least 20 additional gigawatts from offshore wind to the United States over the decade beginning in 2024. This goal shall be achieved by leasing at least two gigawatts annually through at least four lease sales on the United States Outer Continental Shelf (OCS) of at least five hundred megawatts each. 19. The Secretary should submit to Congress a legislative proposal to expand the Outer Continental Shelf Lands Act (OCSLA) to the U.S. Territories. 20. The BLM should issue an Instruction Memorandum (IM) or other mechanism to update and clarify solar energy right of way, acreage rent schedules,

megawatt (MW) capacity fees, lease and grant renewal process, bond requirements, and application priority for projects in six Southwestern states. 21.A Secretarial Order should be issued to grandfather projects that were under construction, development, or for which an application had been accepted when the BLM issued its 2016 Competitive Processes for Solar and Wind Energy Development rule. 22.The BLM should issue an IM which directs field offices to issue categorical exclusions (CX) when Energy Policy Act of 2005 Section 390 criteria are met, unless specifically rebutted. 23.The BLM should issue an IM to update the fee-fee-fed IM to avoid unnecessary National Environmental Policy Act (NEPA) analysis of impacts to non-federal surface off-lease and analysis of horizontal wells that develop a minority of federal minerals. 24.The Department should issue guidance to NEPA planning staff that states project-specific NEPA documents should be scoped to the actual project impacts and limited to the best available information. 25.The BLM should issue a full rulemaking process to revise Onshore Orders 43 CFR 3173, 3174, and 3175 by giving due consideration to applicable API and GPA standards. 26.The Bureau of Safety and Environmental Enforcement (BSEE) should issue a Notice to Lessees and Operators to add specificity regarding factors such as enhanced oil recovery (EOR), high pressure/high temperature wells (HPHT), and reservoir depths, for royalty relief for late life or challenging assets. 27.RPC recommends that the Secretary of the Interior pursue rulemaking to adopt all applicable provisions of the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) and the Federal Oil and Gas Royalty Simplification Act of 1996 to include Federal coal by the provisions of each statute. The Secretary should also propose including Federal coal be included in the statute in his legislative proposals to Congress. 28.RPC recommends the DOI pursue rulemaking to define “Federal Gas Index Pricing” with a Marketable Condition Concept, consistent with the hypothetical presentation titled “Gas Index Pricing Options,” dated August 2018, as presented to the RPC meeting of September 13, 2018. 29.To promote transparency, the RPC recommends that DOI publish well, lease, and monthly production data for royalty-bearing resources on Federal lands. Tribes should have the ability to opt-in. This information should not include data prohibited by law from being released.

## Designated Federal Officer

James Schindler Executive Director

Committee Members	Start	End	Occupation	Member Designation
Alvarado, Estella	09/01/2017	09/01/2020	Anadarko Petroleum Corporation	Representative Member
Andrews, John	09/01/2017	09/01/2020	Utah School and Institutional Trust Lands Administration	Representative Member
Angelle, Scott	09/01/2017	09/01/2020	Bureau of Safety and Environmental Enforcement	Ex Officio Member
Begaye, Russell	09/01/2017	09/01/2020	Navajo Nation	Representative Member
Cadena, Jennifer	09/01/2017	09/01/2020	Incremental Oil & Gas	Representative Member

Carter, Clinton	09/01/2017 08/27/2018	State of Alabama	Representative Member
Crowther, John	09/01/2017 09/01/2020	State of Alaska	Representative Member
Cruikshank, Walter	09/01/2017 09/01/2020	Bureau of Ocean Energy Management	Ex Officio Member
Darby, Drew	09/01/2017 09/01/2020	State of Texas	Representative Member
DeVito, Vincent	09/01/2017 08/31/2018	Committee Chairman	Ex Officio Member
Eggert, Roderick	09/01/2017 10/09/2018	Colorado School of Mines	Representative Member
Gould, Gregory	09/01/2017 09/01/2020	Office of Natural Resources Revenue	Ex Officio Member
James, Jim	09/01/2017 09/01/2020	Bureau of Indian Affairs	Ex Officio Member
Luthi, Randall	09/01/2017 09/01/2020	National Ocean Industries Association	Representative Member
MacGregor, Katharine	09/01/2017 10/04/2018	Acting Assistant Secretary - Land and Minerals Management	Ex Officio Member
McKee, Andrew	09/01/2017 09/01/2020	State of Wyoming	Representative Member
Mills, Monte	09/01/2017 09/01/2020	University of Montana School of Law	Representative Member
Nedd, Michael	09/01/2017 09/01/2020	Bureau of Land Management	Ex Officio Member
Noah, Patrick	09/01/2017 08/31/2020	ConocoPhillips Company	Representative Member
Redd, Christopher	09/01/2017 08/31/2020	Southern Ute Tribal Council	Representative Member
Robertson, Charles	09/01/2017 08/31/2020	Choctaw Nation of Oklahoma	Representative Member
Romero, Van	09/01/2017 08/31/2020	New Mexico Institute of Mining and Technology	Representative Member
Rusz, Daniel	09/01/2017 09/08/2018	Wood Mackenzie	Representative Member
Sanford, Brent	09/01/2017 08/31/2020	State of North Dakota	Representative Member
Sweeney, John	09/01/2017 05/07/2018	VWR Corporation Building	Representative Member
Tahsuda, John	09/22/2017 09/22/2020	Principal Deputy Secretary - Indian Affairs	Ex Officio Member
Waller, Everett	09/01/2017 08/31/2020	Osage Minerals Council	Representative Member

**Number of Committee Members Listed: 27**

### **Narrative Description**

On March 29, 2017, Secretary Zinke signed the Charter creating the Royalty Policy Committee (Committee) under his authority and regulated by the Federal Advisory Committee Act (FACA). The Committee will provide advice to the Secretary, through the Counselor to the Secretary for Energy Policy, on current and emerging issues related to energy and mineral resource development on Federal and Indian lands. These issues may include determination of fair market value, revenue collection, and potential impacts of proposed policies and regulations, including whether a need exists for regulatory reform. In the past, the Royalty Policy Committee (RPC) focused mainly on issues related to revenue collection and management and product valuation issues. Past

Subcommittees included: Marginal Property, Royalty Management, Oil & Gas Valuation, Geothermal Valuation, Sodium/Potassium, Coal, Net Receipts Sharing, and Appeals and Alternative Dispute Resolution. This RPC's approach is a full financial analysis of fair market value from the responsible development of American energy resources. With the overarching goal of increasing America's energy dominance, the new Committee will have a broader scope than the previous RPC and may address a range of issues from leasing, permitting, and royalty policy to product valuation regulations and revenue transparency. With a focus on increasing mineral and energy production and revenues, improving transparency and accountability, and providing a simplified, consistent regulatory structure, the Committee may look at a wide range of topics, including the following:

- Expansion of American energy development
- Regulations for procedures for determining fair market value/fair market return
- Process and regulations for offering Federal leases for conventional and renewable energy development on Federal and Indian lands
- Federal and Indian lands valuation reform
- Establishing a royalty system for hard-rock mining
- Regulations regarding onshore and offshore present and future royalty rates and fees
- Offshore cost reporting and cost recovery rules
- Financial assurance and bonding
- Economic modeling
- Public input and effects of leasing on local communities
- Bid bonus protocols
- Experiments with different leasing systems and protocols
- Price-based royalties
- Increasing competition on bidding [for coal]

**What are the most significant program outcomes associated with this committee?**

Checked if Applies

Improvements to health or safety	<input type="checkbox"/>
Trust in government	<input checked="" type="checkbox"/>
Major policy changes	<input checked="" type="checkbox"/>
Advance in scientific research	<input type="checkbox"/>
Effective grant making	<input type="checkbox"/>
Improved service delivery	<input checked="" type="checkbox"/>
Increased customer satisfaction	<input checked="" type="checkbox"/>
Implementation of laws or regulatory requirements	<input checked="" type="checkbox"/>
Other	<input checked="" type="checkbox"/>

**Outcome Comments**

NA

**What are the cost savings associated with this committee?**

Checked if Applies

None	<input checked="" type="checkbox"/>
Unable to Determine	<input type="checkbox"/>

Under \$100,000	<input type="checkbox"/>
\$100,000 - \$500,000	<input type="checkbox"/>
\$500,001 - \$1,000,000	<input type="checkbox"/>
\$1,000,001 - \$5,000,000	<input type="checkbox"/>
\$5,000,001 - \$10,000,000	<input type="checkbox"/>
Over \$10,000,000	<input type="checkbox"/>
Cost Savings Other	<input type="checkbox"/>

### **Cost Savings Comments**

NA

**What is the approximate Number of recommendations produced by this committee for the life of the committee?**

29

### **Number of Recommendations Comments**

NA

**What is the approximate Percentage of these recommendations that have been or will be Fully implemented by the agency?**

0%

### **% of Recommendations Fully Implemented Comments**

NA

**What is the approximate Percentage of these recommendations that have been or will be Partially implemented by the agency?**

0%

### **% of Recommendations Partially Implemented Comments**

NA

**Does the agency provide the committee with feedback regarding actions taken to implement recommendations or advice offered?**

Yes ☐ No ☐ Not Applicable ☒

### **Agency Feedback Comments**

NA

**What other actions has the agency taken as a result of the committee's advice or recommendation?**

Checked if Applies

- |                                   |                          |
|-----------------------------------|--------------------------|
| Reorganized Priorities            | <input type="checkbox"/> |
| Reallocated resources             | <input type="checkbox"/> |
| Issued new regulation             | <input type="checkbox"/> |
| Proposed legislation              | <input type="checkbox"/> |
| Approved grants or other payments | <input type="checkbox"/> |
| Other                             | <input type="checkbox"/> |

**Action Comments**

NA

**Is the Committee engaged in the review of applications for grants?**

No

**Grant Review Comments**

NA

**How is access provided to the information for the Committee's documentation?**

Checked if Applies

- |                           |                                     |
|---------------------------|-------------------------------------|
| Contact DFO               | <input checked="" type="checkbox"/> |
| Online Agency Web Site    | <input checked="" type="checkbox"/> |
| Online Committee Web Site | <input checked="" type="checkbox"/> |
| Online GSA FACA Web Site  | <input checked="" type="checkbox"/> |
| Publications              | <input checked="" type="checkbox"/> |
| Other                     | <input type="checkbox"/>            |

**Access Comments**

NA